



Indal Canada Limited

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10th Annual Report 1974

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## Financial highlights of 1974

	1974	1973
Sales – Manufacturing operations . . . . .	<b>\$111,824,000</b>	\$ 89,904,000
Net earnings . . . . .	<b>\$ 7,037,000</b>	\$ 3,855,000
Earnings per share . . . . .	<b>\$ 3.50</b>	\$ 2.41
Dividends per common share . . . . .	<b>77½¢</b>	42½¢
Cash flow . . . . .	<b>\$ 12,569,000</b>	\$ 7,884,000
Working capital . . . . .	<b>\$ 15,997,000</b>	\$ 6,935,000
Common shareholders' equity . . . . .	<b>\$ 29,497,000</b>	\$ 18,473,000

## Contents

	Page
Financial highlights . . . . .	1
Report to the shareholders . . . . .	3
Consolidated statement of earnings and retained earnings . . . . .	15
Consolidated balance sheet . . . . .	16
Report of the auditors . . . . .	17
Consolidated statement of changes in financial position . . . . .	18
Notes to consolidated financial statements . . . . .	19
Summary of operations since incorporation . . . . .	24
Operating subsidiaries and divisions . . . . .	26
Directors and officers . . . . .	28



Glastron fibreglass boats distributed in Ontario by Marine Division of Indal Products on display at the 1975 Toronto International Boat Show which attracted 162,000 visitors. Marine Division's stand also featured Thornes aluminum boats and Porpoise fibreglass sailboats.

# Report to the shareholders for the year ended December 31, 1974

1974 was an outstanding year for your company and both sales and earnings achieved in this, the tenth year of operation since incorporation, are a record. The year was marked by strong growth in all areas of activity during the first six months followed by a weakening in the residential construction market which became more pronounced as the year progressed. Significant events during the year were a one for three rights issue to shareholders in the spring and the initiation of several successful new operating ventures which have made a valuable contribution to earnings.

Net earnings increased to \$7.037 million (\$3.50 per common share) from \$3.855 million (\$2.41 per common share) in the previous year. Group manufacturing sales to third parties for the year were \$111.824 million compared to \$89.904 million in the previous twelve months and metal trading sales in the first full year of operations from this activity were \$75.741 million. It should be noted that earnings per share have absorbed the increasing effect of dilution as a result of the one for three rights issue in April, 1974.

Although the Canadian economy showed signs of a downturn in the second half of 1974 it is nevertheless still one of the strongest in the western world and one of the very few for which real growth is at the moment being forecast in 1975. The effect on your company of the fall-off in residential construction, where housing starts in 1974 are expected to have approximated only 220,000 compared to the previous year's 269,000, has been offset by increased earnings due to the company's broader product range. This wider product base has been commented on in previous reports and it has given considerable protection against what otherwise could have resulted in lower earnings. For example, the involvement of your group in the markets of non-residential construction, consumer products, home improvements and design engineering which have all shown good growth, has been of considerable benefit in the overall results. The metal trading activity made an important contribution to earnings and indications for the year ahead are that this will continue. The new ventures started at the end of 1973 and early in 1974 were the tempering of glass, the manufacture of residential steel entrance doors, insulated glass units and the distribution of fibreglass boats. These have all been most successful and have assisted the momentum of group earnings.

Dermot G. Coughlan (left) President, Indal Canada and Walter E. Stracey, Chairman and Chief Executive Officer, inspect the site of the new Dominion Aluminum Fabricating plant in Mississauga, Ont.



## Financial

## Board changes, senior officers and management

The increased manufacturing sales of your company have continued to effect greater utilization of production capacity in the many operations that form the group. This, together with improved selling prices has helped offset increases in raw material, labour and finance costs and resulted in an improvement in the gross margins of the group as a whole.

The supply position of your company's raw materials, in line with reduced demand virtually world wide, has eased considerably over the past six months and the main raw materials of aluminum, lumber, zinc and glass are now readily available and steel supplies in recent weeks have shown signs of easing.

During 1974 a total of 539,287 common shares were issued pursuant to a one for three rights issue and 35,300 shares for the exercise of warrants and options. The total cash raised from this was \$5.846 million and together with the cash flow from earnings it is considered that the financial position of your company is the strongest it has been. Working capital at the end of 1974 increased by \$9.1 million and it is considered that the company's facilities are fully adequate to finance existing and planned activities in Canada.

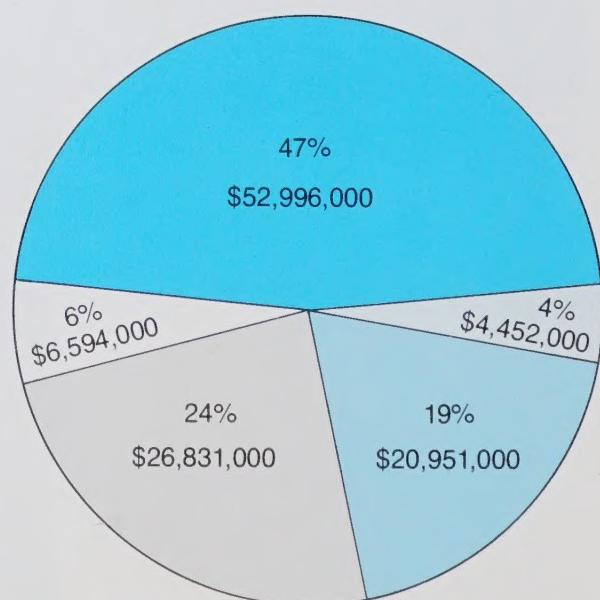
In 1974, the dividend paid on common shares of the company was increased, as earnings improved, from 15c in the first quarter to 20c in the second and third quarters and 22½c in the final quarter of the year.

There were no Board changes during 1974 but in the year Mr. J. N. LeHeup, C.A., formerly Controller was appointed Corporate Development Officer and Mr. B. P. Morine, M.B.A., was appointed Controller. Mr. T. D. Ross, R.I.A., was at the same time appointed Chief Accountant.

It is considered that the operating management of the group, listed at the end of this Annual Report, which has been strengthened in recent years during the expansion of your company's operations, is of a very high calibre. As a consequence it is considered we have the ability to take full advantage of opportunities in Canada and the United States in the markets in which we are involved.

### Markets serviced – manufacturing

- Construction
- Automotive
- Home Improvement and Consumer
- Design Engineering
- Other



## Corporate changes

## Operating report

The management and operating philosophy of your group places great importance on the establishment of well equipped, efficient and service oriented operations located in each of the geographical areas served and the results of this are reflected in the earnings growth. The entrepreneurial operating management are very experienced in their individual markets, they exercise considerable operating autonomy and their motivation and morale are good. A financial and budgetary control system monitored at head office shows monthly results of all operations in detail against agreed budgets as to profits, cash and capital expenditures and this assists the planned progress of all activities and the early highlighting of potential problem areas.

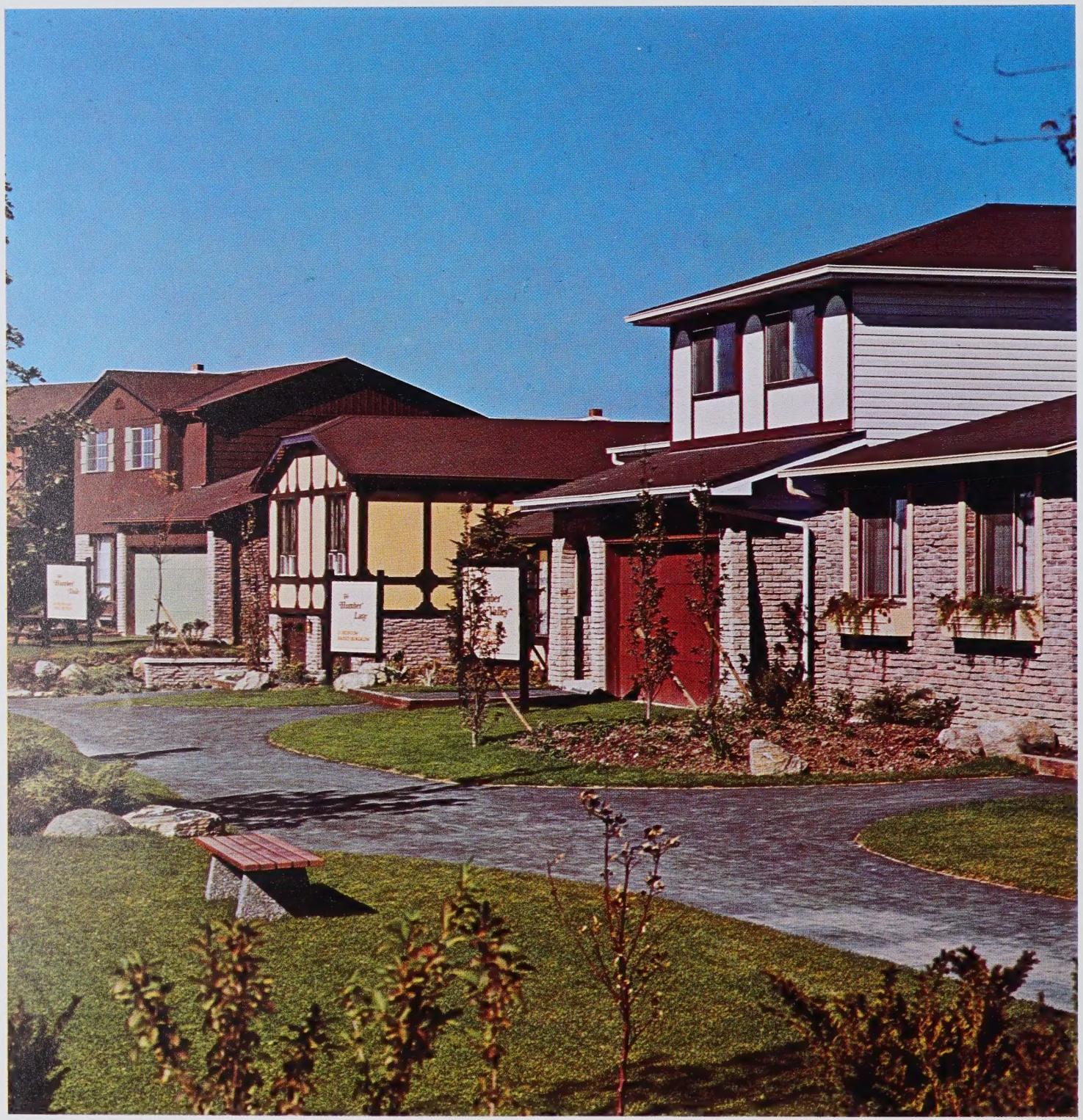
During the year the activities of Sonner Products Limited were taken over by Therma-Tru Limited and in April the operations of Trailwind Division of Indal Products Limited were absorbed by Brampton Aluminum Products Limited. Indal, Inc., was incorporated in the United States at the beginning of the year to serve as a holding company for your company's interests in that country. Your company's equity in McKnight Window Industries Limited was increased from 60% to 75% and the remaining 20% interest in Fairmont Plating (Alta) Ltd., and Fairmont Plating (Man) Ltd., was acquired.

### Aluminum extrusions and surface finishings

The four aluminum extruding and finishing operations located in separate provinces of Canada produced excellent results in 1974. During the first half of the year the supply of aluminum billet was extremely tight but by the fourth quarter the position eased considerably although prime producers' list prices at the time of writing this report had not moved downwards. Throughout the year selling prices of extrusions reflected the increases in raw material costs and the increase in sales volume, aided by a high extrusion recovery rate from prime metal, considerably contributed to the results achieved. A reduction in the rate of sales at the end of the year, caused by the downturn in residential housing starts, was evident but the other markets served by the extrusion operations have continued at a good level. Towards the end of the year the group's seventh extrusion press, located in Toronto, was installed and this increase in production capacity together with excellent facilities for painting, anodizing and fabricating places the group in a position to take full advantage of any increase in demand in the markets served.

*Roof deck mill in the new plant of Westland Metals, Richmond, B.C.*





Model homes built by The Georgian Group in the Humerview Hills sub-division, Caledon, Ontario. Wood windows and Therma-Tru steel entrance doors for this development are supplied by McKnight Window Industries.

## Doors, windows, ladders, mobile home components and hardware

The drop in residential construction starts by the end of the year caused some reduction in the supply of products to the new housing market. However, the high level of residential activity in the first half of 1974 together with a high demand all year for consumer products and home improvement items prevented any serious adverse effect on profitability. In 1974, storm door and window operations made an increased contribution to earnings as a result of improved efficiencies in production and a high degree of customer service.

Although apartment and high-rise building activity in Toronto showed little or no growth during the year, the operation supplying prime windows increased its sales and through good control of all aspects of the business, enjoyed a successful year.

The production of patio doors decreased as a reflection of the downturn in housing and increased competition but the order position at the end of the year was much improved over previous months. During the year the manufacture of mobile home components in Toronto was merged with the patio door manufacturing operations in Brampton. The up-dating and redesign of certain aluminum mobile home components has also been completed and it is expected that improved results in 1975 will be shown from this area of your company's activity.

Window and door operations in Alberta and British Columbia completed a successful year and in Alberta, improvements in plant layout together with additional mechanization have assisted production and increased earnings. At the end of the year an expansion was carried out in Kelowna, B.C. and the range of products increased.

Wood window operations in Toronto completed a satisfactory year despite the downturn in the housing market. During the year several new products were introduced, additional equipment was purchased and this well managed operation, which now has considerable production capacity, is well situated to take full advantage of any up-turn in residential housing.

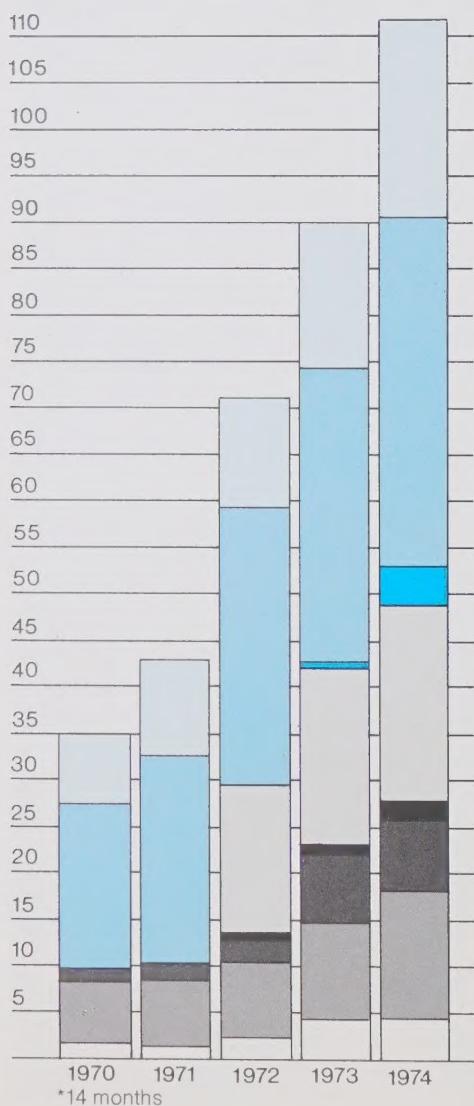
*Prototype of vertical axis wind turbine of unique design now being developed by Dominion Aluminum Fabricating in conjunction with National Research Council, Ottawa. Production models will be used for irrigation and lighting and in remote areas to power radio transmitters and navigational aids. Turbine blades are extruded by Indalex.*



## Manufacturing sales by products

- Aluminum Extrusions and Surface Finishings
- Doors, Windows, Ladders, Mobile Home Components and Hardware
- Glass
- Automotive
- Marine
- Commercial and Institutional Architectural Products
- Rollforming
- Design Engineering

115 (in millions of dollars)



The manufacture of residential steel entrance doors was expanded during the year and a new company based in Toronto came into operation in September. A very successful start has been made in this growing market and a continuation of progress from this venture is expected. Accessory and hardware operations experienced a disappointing year with lower sales volume and heavy pressure on prices which caused reduced margins. A re-organization of this operation has taken place and although markets, particularly at the start of 1975 are expected to be difficult, an improvement in results is anticipated.

### Glass

Last year's report mentioned the confidence of your company in its investment in the production of tempered glass and this has been fully justified with both sales and the contribution to earnings exceeding original forecasts. A high quality product is being produced and in view of good market prospects for this operation, a further expansion of activities will be carried out in 1975.

Glass sealed unit operations both in Toronto, where additional equipment was installed in 1974, and in Calgary, have experienced a very good year in supplying sealed units to Indal group companies and to the outside market. We are confident of a continuation of growth from this area of business.

### Automotive

A strong second half, against North American trends in the automotive industry, enabled a very successful year to be completed in the manufacture of automotive stampings and containers. The major expansion carried out in 1973 assisted improved production rates and increased operating efficiencies and although sales volume was only slightly improved, the contribution to group profits was better than forecast. The automotive industry is currently going through a depressed period and there is no question that the early months of 1975 could prove difficult. However, your company's automotive operations have not yet been as adversely affected by the recent downturn as many industry suppliers. Business from new customers obtained following the recent expansion has proved helpful and the manufacture of components for trucks, which have not shown the same fall in demand as automobiles, has also helped to maintain sales volume. Provided the automotive industry recession is not too prolonged, we do not anticipate a serious fall-off in contribution in 1975.

The recycling and replating of automobile bumpers is carried out in Winnipeg and Edmonton. 1974 proved to be a difficult year and the contribution from this area of the group's activities was disappointing. Severe selling price pressures occurred in all locations as well as internal production problems which have now been overcome following the appointment of new management.

### Marine

The rate of production of aluminum boats in Toronto was adversely affected during the early part of the year as a result of difficulties experienced following the transfer of this operation from Windsor, Ontario. These problems have been overcome and operations by the end of 1974 were being carried out very efficiently. Subject to a reasonable level of business in 1975, we are confident that this part of your company's operations now has the ability to make a satisfactory contribution to earnings.

The sale of Glastron fibreglass boats, for which your company has the Ontario distributorship, was very successful and now forms a valuable part of our growing marine operations.

#### Commercial and institutional architectural products

The company's operations in this market completed another very satisfactory year with increases in sales and earnings. The Toronto operation was moved into larger premises at the beginning of 1974 which created considerably more production capacity and greatly improved storage, shipping and handling facilities. Full advantage of this expansion has been taken and with the addition of several new products, a larger share of this market has been achieved. The non-residential construction market in Canada has not suffered a downturn and in view of the order position at the end of the year, we are confident that the excellent progress achieved by this operation in the last few years, will be continued.

The company's operations in architectural products in Winnipeg experienced a less satisfactory year than forecast. The Manitoba market for both commercial and residential construction was, for most of 1974 quite depressed and a number of projects were deferred to 1975 which adversely affected our operations. A combination of a carryover of 1974 projects, additional penetration into the residential construction market from new plant facilities now being completed and a substantial order book indicate a pick-up in both sales and contribution during 1975.

The operable wall and partition business completed a very successful year with increases in sales and earnings. This operation, whose scale of activities was cut back some two years ago, is now extremely well managed and a continuation of its good performance is expected.

#### Rollforming

In line with a strong non-residential construction market in Canada in 1974, your company's rollforming operations of which two are based in Toronto, one in Calgary and one in Vancouver, have all completed a very successful year. The two major cold rollforming operations in Ontario and British Columbia have recently expanded their plant facilities and their impressive progress in 1974 was restricted only by the difficulties experienced, which are now easing, in obtaining sufficient quantities of steel. In view of the continuing high level of activity expected in 1975 in non-residential construction markets, these well managed operations are expected to continue to show growth.

*Thoroughbred racing at Calgary Stampede Park where the running rails and other new installations use over a mile of aluminum extrusions produced and installed by Indalex during 1974. Contract was awarded to Indalex by Howard V. Lobb and Partners, London, U.K., executive architects in charge of renovations to the track and grandstand*



*Highland Creek Sewage Plant, Toronto, showing additions completed by Dominion Aluminum Fabricating for Metropolitan Toronto Department of Public Works. As prime contractor, DAF designed, fabricated and installed aluminum covers for eight sewage tanks and constructed an air treatment plant and access road.*



## Design engineering

Your company's operations in this field specialize in design engineered aluminum structures and has completed another successful year. Approximately half of the sales are exported and the specialist knowledge acquired from research and development work related to defence equipment and engineered structures, is proving most valuable. At the beginning of 1975 operations were moved into new 100,000 square foot premises and the expanded plant and additional equipment are expected to enable this company to continue to show good growth. Apart from standard products such as highway sign supports, lamp standards, railings and flagpoles, more sophisticated products such as helicopter hauldown systems, wind turbines and aluminum fabricated structures related to environmental concerns such as sewage and water plants, are expected to play an important part in this operation's future.

## Die casting

The company's die casting operation in Fredericksburg, Virginia experienced a less satisfactory year than was expected due to the depressed U.S. housing and mobile home markets to which the zinc die cast products are supplied. The operation is, however, well managed and equipped and will be able to take advantage of any upturn in the U.S. market. The small die casting operation based in Toronto continues to supply a substantial part of its products to Indal group companies but both this company and the Virginia operation were adversely affected by heavy increases in the price of zinc which could not always be reflected in selling prices.

## Metal trading

1974 sales from this operation based in Cleveland, Ohio were considerably higher than anticipated and a substantial contribution to earnings was made. A reduction in fees on completion of certain agency contracts has been more than offset by income from new business transacted. Although metal markets, following decreased demand world wide, have softened recently and the volume of business decreased, we are nevertheless confident that the skilled metal trading management responsible for this operation, who have already contracted substantial business for 1975, will continue to make an attractive contribution to earnings.

## Summary and prospects

In 1974 your company completed another outstanding year and demonstrated its strength and diversification in the expanded markets in which it is now involved. As stated at the beginning of this report there has been a downturn in residential construction but this has been more than offset by continued strong levels of activity in almost all the other markets in which your group is involved.

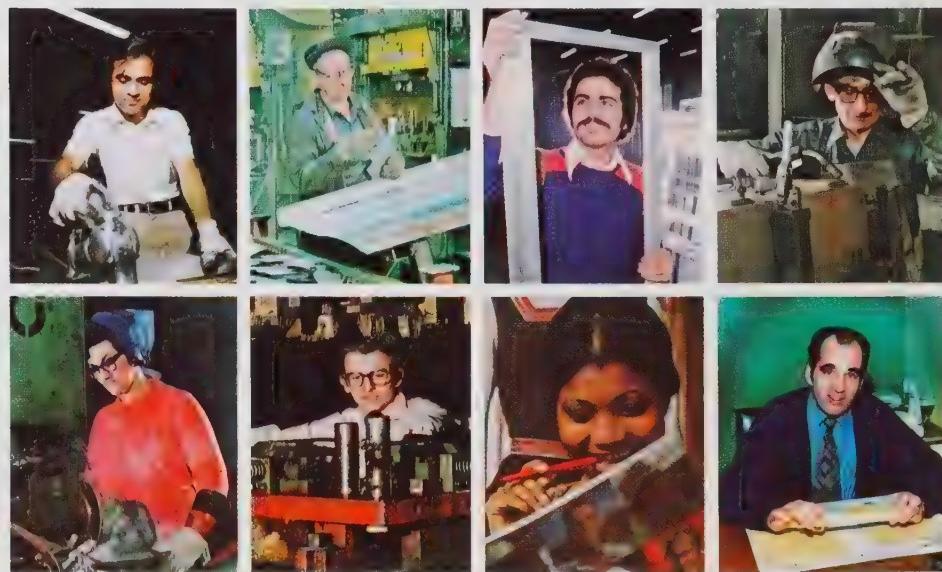
Prospects for 1975 have to be viewed against possibly the most unsettled and in many countries, the most depressed economic conditions in recent years. Canada appears so far to have escaped the worst effects of the recession which has been particularly evident in the United States but there is no question that the Canadian economy is currently in a difficult phase, and inflation problems are by no means overcome. However, at the time of writing this report bank interest rates and also mortage rates were beginning to drop, and if the trend in

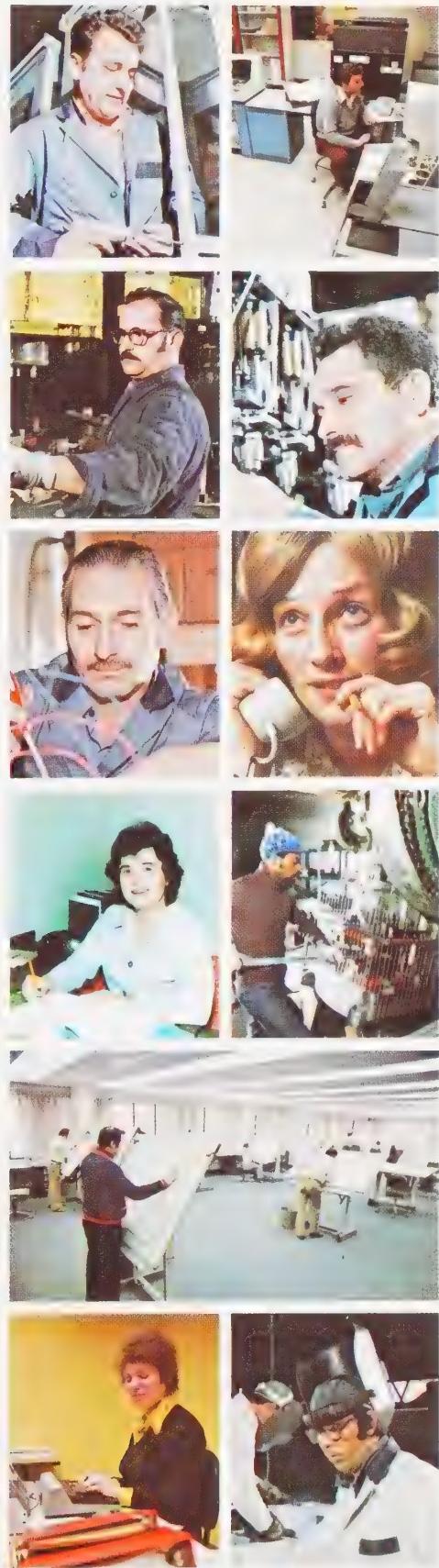
mortgage rates continues then prospects for a return to growth in residential housing, where there is a strong underlying demand, will be much improved. Current estimates suggest that new housing construction starts in 1975 could be somewhat similar to or just below the 220,000 starts in 1974 but it is considered that this depends very much on the rate and availability of mortgage funds as well as the provision of additional serviced land in main population centres. It should also be noted that the Canadian government has recently introduced a range of measures which, although individually small, are collectively helpful to new housing construction. It is therefore considered that in view of the aspirations of Canadians for home ownership and the close relationship between housing starts and the level of employment in Canada, the federal government will take whatever steps are necessary to at least avoid any further serious deterioration in housing starts in 1975 and over the longer term, aim for a continuation of housing growth.

The recent federal government budget was helpful to manufacturing operations such as your company with the continuation of the lower rate of taxation and also the two year taxation write-off on plant and equipment which should attract further business investment in this field. Your company is an important supplier of products to commercial, institutional and industrial construction and should in 1975 benefit from the expected growth in these areas. Consumer spending has been maintained at a high level and it is anticipated this will continue at only a slightly decreased rate into 1975 which will benefit those operations involved in the supply of consumer items and home improvement products.

The automotive industry has slowed down considerably in the last few months although as indicated earlier your company's automotive operations have so far made good progress somewhat against the trend. It is expected that at least the first half of 1975 will continue to see the automotive industry at a depressed level with a pick-up in activity possible in the second half of the year. Your company's design engineering and new activities are expected to continue to show growth. They are either of a specialist nature or in new markets and are therefore to a considerable extent insulated from individual trends in specific markets.

*In 1974 Canada and its operating subsidiaries and divisions employ 2700 men and women in plants and offices at 46 locations in Canada and the United States. Photos at right and on page 13 show some of these people at work*





Throughout 1974 your company continued its expansion programme with the start of four new ventures all of which proved to be very successful. A flow of ideas for new products and processes continues to come from the group's expanded operations which are based in almost 50 locations in Canada and the United States. Capital expenditure in 1974 was over \$8 million and capacity for continued growth exists in all locations. Late in 1975 your company will start production from an aluminum recycling plant based close to the existing aluminum extrusion facilities in Toronto. This recycling plant, which will have an initial annual capacity of 20,000 tons, will convert aluminum scrap from Indal operations and also outside suppliers into secondary extrusion billet. This is considered a significant and important innovation for your company which will not only result in a reduction in scrap conversion costs, but also provide aluminum buying flexibility on a long term basis. A new plant for design engineering facilities has just been completed and further expansions anticipated in 1975 will be in residential building product activities in Winnipeg, tempered glass operations in Toronto and the expansion of both rollforming and building products operations in Edmonton. Although these proposed moves show that your company's traditional markets in Canada will not be neglected, it is considered there are also many areas of potential expansion in the United States in fields in which your group has knowledge. It is thought that the timing for such moves is right and it is hoped that 1975 will see progress in this direction.

In summary, therefore, it is expected that the Canadian economy will continue at or just below current levels until possibly the second half of 1975 when, aided by recent reductions in interest rates and other factors mentioned above, a pick-up is anticipated. In this connection, in view of the continuing close relationship between the economies of Canada and the United States, recent measures announced by the government of the United States to stimulate the economy of that country are thought to be significant although it has to be recognized that at the time of writing this report, a far from clear picture in the United States has emerged.

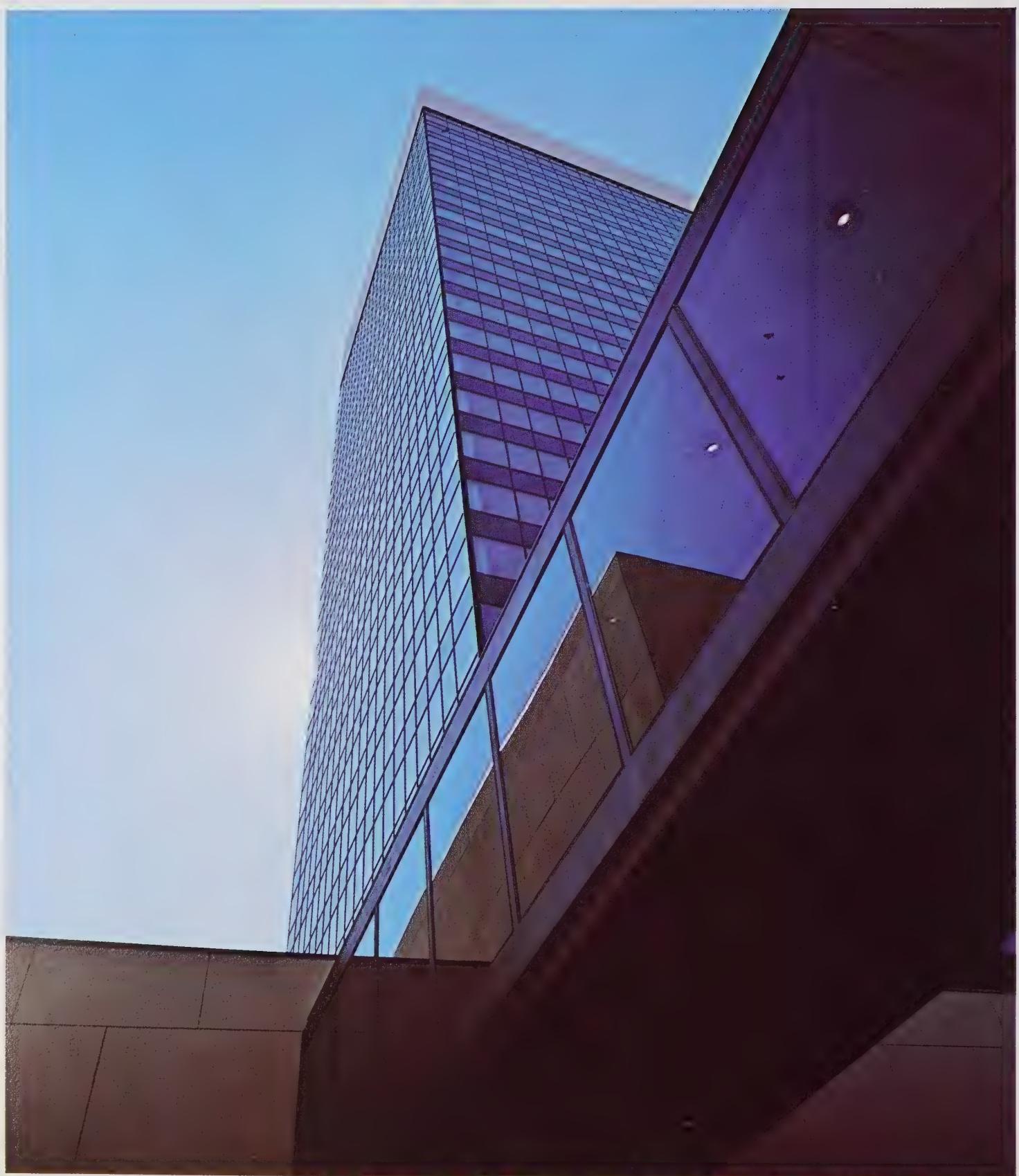
Looking to the future, it is considered that Canada has a relatively strong economic position compared to most of the rest of the world and must over the longer period provide a good environment for opportunity and growth. Despite the many uncertainties ahead in 1975, your group's expanded product range together with its experienced management, gives us confidence that the position of your company in its markets will be fully maintained.

We are particularly grateful for the continuing efforts of the operating heads and all plant employees and staffs in the Indal Canada group, who now number some 2,700. There is no doubt that without their work and dedication we could not have achieved such outstanding results and we would like to express to them our warmest appreciation.

W. E. Stracey, Chairman of the Board.

D. G. Coughlan, President.

*First tower of \$50 million Edmonton Centre, Edmonton showing glazed aluminum curtain wall fabricated and installed by Dominion Bronze, Winnipeg. The larger second tower now being constructed by Poole Construction will also use aluminum curtain wall supplied by Dominion Bronze. Insulated glass for the curtain wall in both towers was produced by Western Aluminum Products, Calgary*



# Consolidated statement of earnings and retained earnings for the years ended December 31

	(in thousands of dollars)	
	1974	1973
<b>Earnings</b>		
Sales from manufacturing operations (note 3) . . . . .	<b>\$111,824</b>	\$ 89,904
Cost of manufacturing sales . . . . .	<b>80,965</b>	68,084
Gross profit from manufacturing operations . . . . .	<b>30,859</b>	21,820
Gross profit from metal trading (note 3) . . . . .	<b>5,040</b>	1,378
	<b>35,899</b>	23,198
Expenses . . . . .	<b>20,027</b>	16,489
Selling and distribution . . . . .	<b>8,076</b>	7,521
Administration . . . . .	<b>9,125</b>	6,776
Financial . . . . .	<b>2,826</b>	2,192
	<b>15,872</b>	6,709
Other income less expenses . . . . .	<b>(353)</b>	1,916
Earnings before income taxes (note 4) . . . . .	<b>15,519</b>	8,625
Income taxes (note 5) . . . . .	<b>7,586</b>	4,114
Earnings after income taxes and before minority shareholders' interest . . . . .	<b>7,933</b>	4,511
Minority shareholders' interest . . . . .	<b>896</b>	656
Net earnings . . . . .	<b>\$ 7,037</b>	\$ 3,855
Earnings per common share		
Basic . . . . .	<b>\$ 3.50</b>	\$ 2.41
Fully diluted (note 6) . . . . .	<b>\$ 3.12</b>	\$ 2.12
<b>Retained earnings</b>		
Balance – beginning of year . . . . .	<b>\$ 7,688</b>	\$ 4,581
Net earnings . . . . .	<b>7,037</b>	3,855
	<b>14,725</b>	8,436
Dividends paid		
Preferred shares . . . . .	83	87
Common shares . . . . .	1,594	661
Share issue expenses, less related income tax reduction . . . . .	182	—
	1,859	748
Balance – end of year . . . . .	<b>\$ 12,866</b>	\$ 7,688

# Consolidated balance sheet as at December 31

(in thousands of dollars)

1974

1973

## Assets

### Current assets

Accounts receivable – manufacturing . . . . .	\$ 18,508	\$ 17,880
Accounts receivable – metal trading . . . . .	8,218	18,212
Inventories (note 7) . . . . .	23,960	18,085
Other accounts receivable and prepaid expenses . . . . .	1,212	1,553
	<b>51,898</b>	<b>55,730</b>

### Fixed assets – at cost

Land . . . . .	2,860	1,361
Buildings . . . . .	10,261	7,892
Machinery and equipment . . . . .	15,149	13,207
Leasehold improvements . . . . .	1,501	1,161
Office furniture and equipment . . . . .	1,016	895
Motor vehicles . . . . .	1,932	1,555
	<b>32,719</b>	<b>26,071</b>
Accumulated depreciation . . . . .	8,884	7,146
	<b>23,835</b>	<b>18,925</b>
Tools and dies at cost less amortization . . . . .	876	879
	<b>24,711</b>	<b>19,804</b>

### Intangible assets

Excess of cost of investments over book value of net assets (note 2) . . . . .	10,254	10,098
Deferred charges less amortization (note 8) . . . . .	517	967
	<b>10,771</b>	<b>11,065</b>

Signed on behalf of the Board

D. G. Coughlan, Director

\$ 87,380

\$ 86,599

W. E. Stracey, Director

# Liabilities

(in thousands of dollars)

1974                    1973

## Current liabilities

Bank advances (note 9) .....	\$ 10,050	\$ 17,022
Accounts payable – manufacturing .....	4,860	4,751
Accounts payable – metal trading .....	7,074	14,385
Accounts payable – affiliates .....	3,002	4,403
Other accounts payable and accrued charges .....	6,410	4,311
Income and other taxes payable .....	4,192	3,554
Current portion of deferred liabilities (note 10) .....	313	369
	35,901	48,795
<b>Deferred liabilities less current portion (note 10)</b> .....	<b>15,441</b>	<b>14,158</b>
<b>Deferred income taxes</b> .....	<b>3,079</b>	<b>2,019</b>
<b>Minority shareholders' interest in subsidiary companies</b>	<b>2,129</b>	<b>1,737</b>
	<b>56,550</b>	<b>66,709</b>

## Shareholders' equity

### Capital stock (note 11)

Authorized –

183,336 cumulative preferred shares of the par value of \$10 each, issuable in series, of which 80,000 have been designated as Series A and 53,336 as Series B

3,000,000 common shares of no par value

Issued and fully paid –

133,336 6% Series A and B preferred shares redeemable at 103%	1,333	1,417
2,164,749 common shares .....	16,631	10,785

### Retained earnings

	12,866	7,688
	30,830	19,890
	<b>\$ 87,380</b>	<b>\$ 86,599</b>

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Indal Canada Limited and subsidiary companies as at December 31, 1974 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles which, except for the change in accounting for certain deferred charges described in notes 1 and 8, have been applied on a basis consistent with that of the preceding year.

**Consolidated statement of  
changes in financial position  
for the years ended  
December 31**

(in thousands of dollars)

**1974**

**1973**

**Source of funds**

Operations –

Net earnings before minority shareholders' interest	\$ 7,933	\$ 4,511
Items not affecting funds		
Depreciation and amortization	3,576	2,707
Deferred income taxes	1,060	666
	<u>12,569</u>	<u>7,884</u>
Proceeds from sale of fixed assets	230	175
Issue of deferred liabilities	1,750	9,825
Issue of common shares	5,846	652
Investment by minority shareholders	105	225
Other	34	242
Total source of funds	<u>20,534</u>	<u>19,003</u>

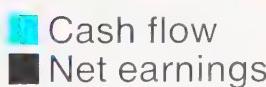
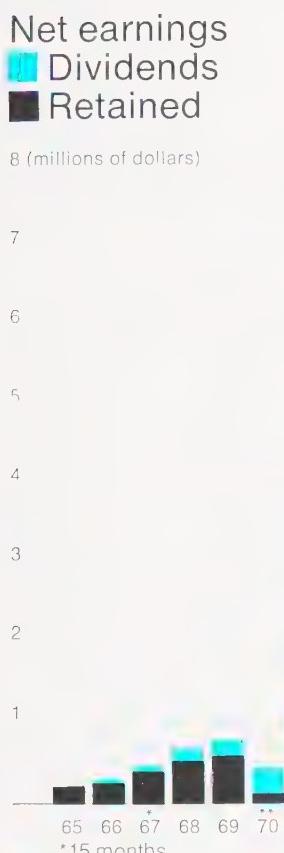
**Application of funds**

Purchase of fixed assets	8,035	7,892
Acquisition of shares in subsidiaries	367	233
Acquisition of balance of partnership	—	2,891
Dividends – preferred shares	83	87
– common shares	1,594	661
Dividends to minority shareholders in subsidiary companies	398	27
Redemption of preferred shares	66	74
Retirement of deferred liabilities	467	5,232
Additions to deferred charges	280	864
Share issue expenses, less related income tax reduction	182	—
Total application of funds	<u>11,472</u>	<u>17,961</u>
Increase in working capital attributable to operations	9,062	1,042
Increase in working capital attributable to subsidiaries acquired during the year	—	766
Increase in working capital	<u>\$ 9,062</u>	<u>\$ 1,808</u>

**Changes in elements of working capital**

WORKING CAPITAL – BEGINNING OF YEAR	\$ 6,935	\$ 5,127
Current assets – increase/(decrease)		
Accounts receivable and prepaid expenses	(9,707)	23,923
Inventories	5,875	8,557
	<u>(3,832)</u>	<u>32,480</u>
Current liabilities – (increase)/decrease		
Bank advances and current portion of deferred liabilities	7,028	(8,329)
Accounts payable and accrued charges	6,504	(19,902)
Income and other taxes payable	(638)	(2,441)
	<u>12,894</u>	<u>(30,672)</u>
NET INCREASE IN WORKING CAPITAL	<u>9,062</u>	<u>1,808</u>
WORKING CAPITAL – END OF YEAR	<u>\$ 15,997</u>	<u>\$ 6,935</u>

# Notes to consolidated financial statements for the year ended December 31, 1974



## 1. Accounting policies

### Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries (companies more than 50% owned). All material intercompany items and transactions between consolidated companies, including profits in inventories, have been eliminated. It is the policy of the Company not to amortize the excess of cost of investments over book value of net assets in respect of acquisitions before January 1, 1974, or pursuant to agreements entered into before that date. Excess costs arising as a result of acquisitions or agreements entered into after January 1, 1974 will be amortized to earnings by the straight-line method over their estimated lives, or forty years, whichever is the lesser.

### Translation of foreign currencies

Assets and liabilities in U.S. funds are converted to Canadian funds at the rate of exchange prevailing at the year end. Income and expenses in U.S. currency are converted to Canadian dollars at a rate approximating the average rate of exchange prevailing during the year. Exchange adjustments, not significant in amount, are included in earnings.

### Fixed assets

Fixed assets are stated at acquisition cost, including transportation and installation charges. Depreciation is computed on a straight-line basis at rates which will write off the respective assets over their estimated useful lives as follows:

Buildings	20 to 40 years	Office furniture and equipment	7 to 10 years
Machinery and equipment	8 to 10 years		
Leasehold improvements	life of lease	Tools and dies	2 to 10 years
		Motor vehicles	4 years

### Maintenance and repairs

Maintenance and repairs of a routine nature are charged to earnings while those expenditures which improve or prolong the useful life of assets are capitalized.

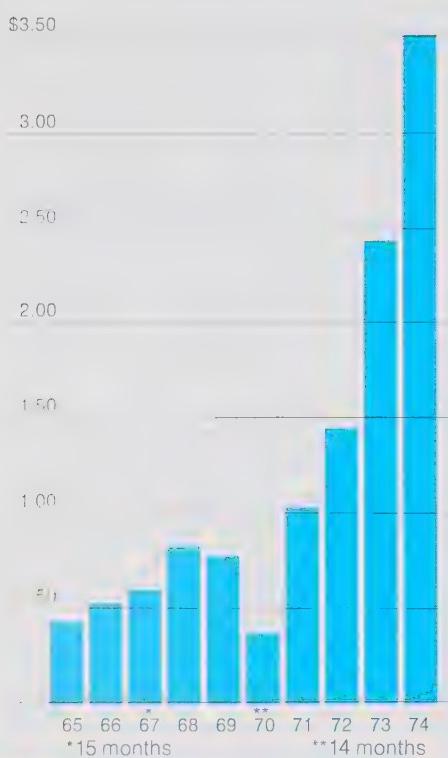
### Deferred charges

Preproduction costs are amortized over 1 to 5 years. New product development costs are, effective January 1, 1974, charged to earnings in the period in which they are incurred. Debenture issue expenses are amortized over the term of the debenture. Patents and licences are amortized over their estimated useful lives.

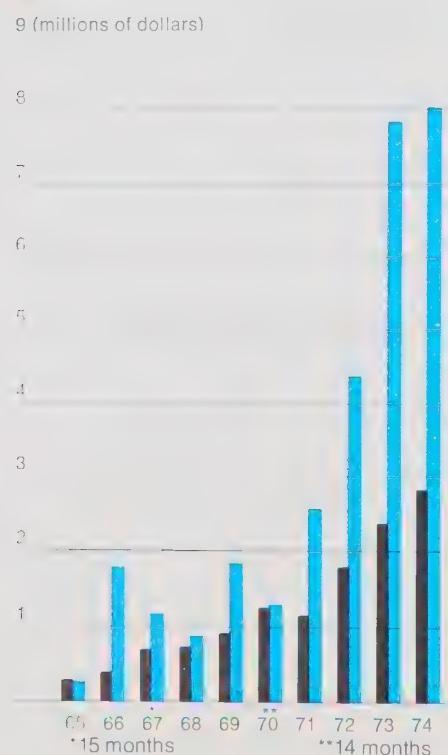
### Income taxes

The Company follows the deferral method of income tax allocation. The deferred income taxes relate to future tax recoveries, holdbacks receivable, depreciation, deferred charges and warranty reserves.

## Earnings per share



Capital expenditures  
Depreciation



## 2. Excess of cost of investments over book value of net assets

During the year the Company invested a total of \$367,000 to acquire an additional 15% of the equity of McKnight Window Industries Limited, and the 20% balance of the equity of Fairmont Plating (Alta) Ltd. and Fairmont Plating (Man) Ltd. The consideration paid exceeded the proportionate net book value of the assets of the companies by \$156,000 at the date of purchase.

## 3. Sales

It is the opinion of the Directors that the Company has only two lines of business, manufacturing and metal trading. Sales by major categories were:

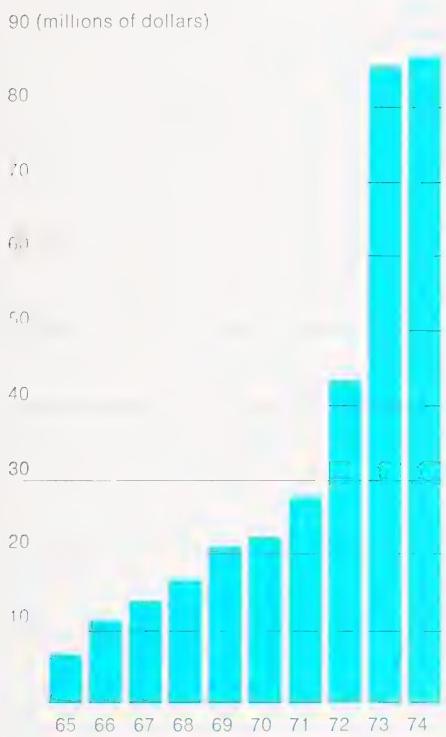
	1974	1973
Aluminum extrusions and surface finishings	\$ 21,426,000	\$ 15,907,000
Doors, windows, ladders, mobile home components and hardware	37,285,000	31,684,000
Glass .....	4,141,000	410,000
Automotive .....	20,901,000	18,971,000
Marine .....	2,007,000	1,159,000
Commercial and institutional architectural products	7,646,000	6,984,000
Rollforming .....	13,966,000	10,350,000
Design engineering .....	4,452,000	4,439,000
Manufacturing sales .....	111,824,000	89,904,000
Metal trading sales .....	75,741,000	36,229,000
Total sales .....	<u>\$187,565,000</u>	<u>\$126,133,000</u>

## 4. Earnings before income taxes

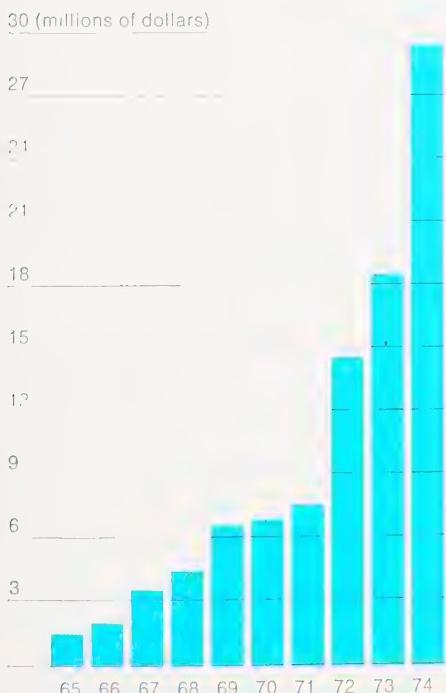
Earnings before income taxes are stated after charging:

	1974	1973
Depreciation and amortization	\$ 3,576,000	\$ 2,707,000
Interest on bank advances	2,415,000	1,150,000
Interest on deferred liabilities	1,308,000	1,052,000
Rent on leased premises .....	901,000	872,000
Remuneration of directors and senior officers		
(i) 13 directors whose aggregate remuneration as directors amounted to .....	20,000	8,000
(ii) 5 officers whose remuneration as officers amounted to .....	266,000	215,000
(iii) 3 officers are also directors of the company		
(iv) 1 director is an officer of Dominion Bronze Limited and his aggregate remuneration as an officer of that company amounted to .....	46,000	52,000
(v) 1 director is an officer of Westland Metals Ltd. and his aggregate remuneration as an officer of that company amounted to .....	62,000	54,000
(vi) 1 director is an officer of Fabricated Steel Products (Windsor) Limited and his aggregate remuneration as an officer of that company amounted to .....	70,000	51,000

## Total assets



## Common shareholders' equity



## 5. Income taxes

The income taxes based on the earnings for the year are made up of:

	1974	1973
Income taxes payable for the year	\$ 6,526,000	\$ 3,448,000
Deferred income taxes	<u>1,060,000</u>	666,000
	<u>\$ 7,586,000</u>	\$ 4,114,000

## 6. Dilution of earnings per common share

Fully diluted earnings based on the exercise of all share purchase warrants, share options and conversion of all the convertible debentures would be \$3.12 per share, assuming that the potential proceeds of \$1,313,000 on exercise of share options and warrants would yield income equal to the interest rate on the convertible debentures.

## 7. Inventories

Raw material inventories are valued at the lower of cost and replacement cost and other inventories are valued at the lower of cost and net realizable value.

	1974	1973
Raw materials	\$ 18,305,000	\$ 12,905,000
Work in progress	987,000	1,340,000
Finished goods	<u>4,668,000</u>	3,840,000
	<u>\$ 23,960,000</u>	\$ 18,085,000

## 8. Deferred charges less amortization

	1974	1973
Preproduction costs	\$ 197,000	\$ 449,000
Debenture issue expenses	<u>313,000</u>	335,000
Patents and licences	<u>7,000</u>	183,000
	<u>\$ 517,000</u>	\$ 967,000

A change in accounting policy outlined in Note 1 resulted in new product development costs of \$192,000 (after providing for tax of \$151,000) which would otherwise have been carried forward to future years being expensed during the year. Of this amount, \$83,000 related to costs incurred during 1974 and \$109,000 to costs incurred in prior periods.

During the year, total expenditures capitalized in respect of deferred charges were \$280,000 and items amortized, which included the new product development costs mentioned above, totalled \$730,000.

Future amortization will be:	1975	\$ 123,000
	1976	66,000
	1977	41,000
	1978	41,000
	after 1978	<u>246,000</u>
		<u>\$ 517,000</u>

## 9. Bank advances

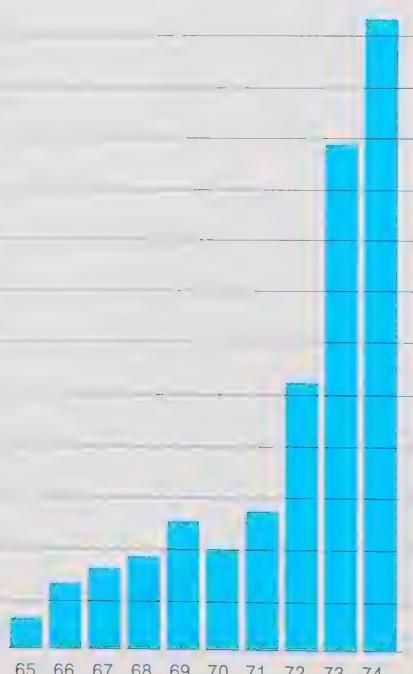
Bank advances are secured by the pledge of book debts and, in certain subsidiaries, by inventories.

## 10. Deferred liabilities

	1974	1973
8½ % Sinking Fund Debentures, Series A, due on March 15, 1993 with annual repayments by way of sinking fund of \$100,000 in 1976, \$200,000 in 1977 to 1980, \$300,000 in 1981 to 1984, \$400,000 in 1985 to 1988 and \$550,000 in 1989 to 1992	\$ 7,800,000	\$ 8,000,000
9½ % Convertible Debentures, Series A, due on March 1, 1980, convertible by the holders at any time up to that date into common shares of the Company at \$12.43 per share	2,000,000	2,000,000
Mortgages maturing –		
within 5 years, 6% to 9¾ %	353,000	446,000
in 5-10 years, 7½ % to 10¼ %	50,000	88,000
after 10 years, 8% to 10% .....	4,904,000	3,329,000
9% Loans (including \$225,000 from a director) secured by 1st mortgage payable in quarterly instalments of \$14,000 commencing August 1, 1975 .....	450,000	450,000
Prime rate plus 1½ % bank loan payable in monthly instalments of \$2,000 including interest .....	192,000	195,000
Miscellaneous equipment financing .....	5,000	19,000
	<hr/>	<hr/>
Less portion due within one year .....	\$15,754,000	\$14,527,000
	<hr/>	<hr/>
	313,000	369,000
	<hr/>	<hr/>
	<b>\$15,441,000</b>	<b>\$14,158,000</b>

## Fixed assets

26 (millions of dollars)



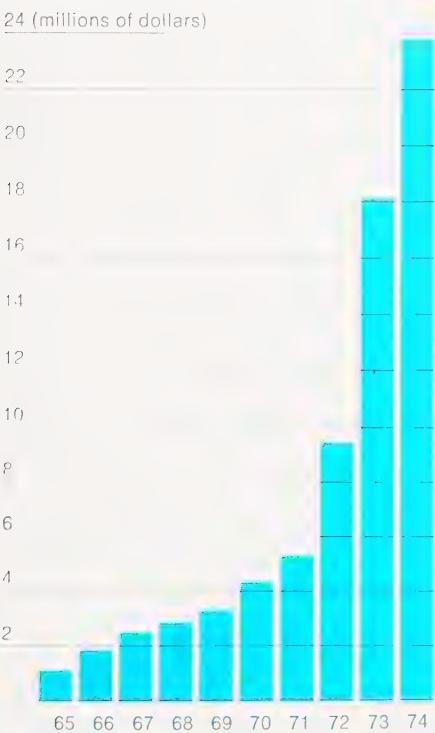
## 11. Capital stock

### (a) Changes in capital stock

The following changes in the issued capital stock were effected during the year:

	Number of Shares	Amount
(i) 6% PREFERRED SHARES		
December 31, 1973 .....	141,669	\$ 1,417,000
Redemptions .....	8,333	84,000
December 31, 1974 .....	<hr/>	<hr/>
(ii) COMMON SHARES		
December 31, 1973 .....	1,590,162	\$10,785,000
Exercise of rights issued pursuant to an underwriting agreement dated April 2, 1974 .....	539,287	5,663,000
Exercise of stock options .....	1,800	16,000
Exercise of warrants .....	33,500	167,000
December 31, 1974 .....	<hr/>	<hr/>
	<b>2,164,749</b>	<b>\$16,631,000</b>

## Inventories



### (b) Common shares reserved for issue

#### (i) STOCK OPTIONS

At December 31, 1974, there were outstanding options to purchase 99,150 common shares (including 26,342 to directors and senior officers) of which options on 34,000 shares are exercisable at \$13.95 per share and the balance between \$7.65 and \$12.15 per share. These options expire at various times between 1977 and 1981.

#### (ii) SHARE PURCHASE WARRANTS

At December 31, 1974, 35,700 common share purchase warrants were outstanding. These warrants expire December 31, 1975 and may be exercised at a price of \$5.00 per share, which price is subject to reduction in certain circumstances.

#### (iii) CONVERTIBLE DEBENTURES

At December 31, 1974, 160,901 common shares were subject to issuance at \$12.43 per share under the conversion rights attaching to the 9½ % Convertible Debentures (1973 – 152,788 common shares at \$13.09 per share).

## 12. Contingent liabilities

- (a) Indal Canada Limited has agreed to acquire, on request from the present minority shareholders of nine subsidiaries, their shareholdings in these companies at prices based on the profits earned by such subsidiaries. In respect of three subsidiaries these rights were not yet exercisable at December 31, 1974 and hence the potential cost cannot be determined. For those subsidiaries on which these rights may be exercised, the cost based on profits to December 31, 1974 would be approximately \$2,450,000.
- (b) The purchase consideration for Rio Indal, Inc. is to be adjusted upwards or downwards at March 1, 1975 based on earnings thereof to January 14, 1975. The company expects that the maximum additional consideration applicable to this adjustment (\$600,000 U.S.) will become payable, at which time it will be capitalized to excess cost of investment over net book value.
- (c) Unrecorded capital commitments in respect of the acquisition of additional fixed assets, including commitments made after the year end, amount to approximately \$3,600,000.
- (d) Minimum annual rentals under contracts for lease of premises amount to \$1,022,000, of which \$659,000 relates to leases expiring after December 31, 1979.
- (e) The Company is named as defendant in an action asking substantial damages and an accounting of the related profits of a subsidiary for conspiracy to induce two persons presently employed by the subsidiary to, inter alia, breach contracts of employment with the plaintiff. Counsel has stated that evidence so far given for the plaintiff does not indicate any inducement on the part of the Company or its directors and also does not demonstrate the occurrence of any of the acts complained of. All of the defendants have denied all of the acts complained of.

# A summary of operations since incorporation

Sales – manufacturing operations	.....
Sales – metal trading	.....
Earnings before income taxes	.....
Net earnings for period	.....
Preferred dividends paid	.....
Average number of common shares outstanding	.....
Earnings per common share (after preferred dividends)	.....
Dividend per common share	.....
Common dividends paid	.....
Working capital	.....
Fixed assets	.....
Total assets	.....
Common shareholders' equity	.....
Book value per common share	.....
Purchase of fixed assets	.....
Depreciation of fixed assets	.....
Cash flow	.....

- (1) The 1971 and 1970 figures have been adjusted to reflect the inclusion of Western Aluminum Products, a partnership in which the Company had a 50% interest.
- (2) Certain immaterial amounts have been reclassified in presenting the 1969 net earnings.
- (3) Before crediting an extraordinary item of \$143,029 (equivalent to \$0.17 per common share).
- (4) Five quarterly dividends were paid during the period.

(in thousands of dollars)

1974	1973	1972	1971	1970 (14 months)	1969	1968	1967 (15 months)	1966	1965
<b>111,824</b>	89,904	70,689	43,122 <sup>1</sup>	34,910 <sup>1</sup>	26,077	20,760	19,812	11,434	7,315
<b>75,741</b>	36,229	—	—	—	—	—	—	—	—
<b>15,519</b>	8,625	4,927	2,875 <sup>1</sup>	1,317 <sup>1</sup>	1,891	1,833	1,413	1,070	665
<b>7,037</b>	3,855	2,098	1,163	473	834 <sup>2</sup>	783 <sup>3</sup>	517	364	234
83	87	93	98	129 <sup>4</sup>	109	114	149 <sup>4</sup>	79	—
<b>1,987,767</b>	1,563,315	1,385,316	955,673	951,046	917,127	826,537	618,403	562,712	550,000
<b>\$ 3.50</b>	\$ 2.41	\$ 1.45	\$ 1.12	\$ 0.37	\$ 0.79	\$ 0.81	\$ 0.60	\$ 0.51	\$ 0.43
<b>77½¢</b>	42½¢	30¢	20¢	25¢ <sup>4</sup>	20¢	20¢	—	—	—
<b>1,594</b>	661	410	191	237	178	165	—	—	—
<b>15,997</b>	6,935	5,127	3,475	4,305	1,955	2,380	1,388	501	253
<b>24,711</b>	19,804	10,590	5,510	4,036	5,043	3,836	3,213	2,524	1,121
<b>87,380</b>	86,599	44,606	27,874	21,919	21,011	16,902	13,443	10,769	6,484
<b>29,497</b>	18,473	14,715	7,496	6,607	6,486	4,344	3,657	2,345	1,840
<b>\$13.63</b>	\$11.62	\$ 9.58	\$ 7.84	\$ 6.94	\$ 6.84	\$ 5.22	\$ 4.43	\$ 3.97	\$ 3.35
<b>8,035</b>	7,892	4,350	2,582	1,331	1,941	907	1,191	1,806	231
<b>2,846</b>	2,371	1,789	1,125	1,168	954	714	686	388	289
<b>12,569</b>	7,884	4,327	2,348	1,238	1,735	1,918	1,601	992	683

# Indal Canada Limited operating subsidiaries and divisions

	<i>% of equity attributable to the company</i>	
Glass sealed window and door units	75	<b>AIRLITE GLASS INSULATING LIMITED, Toronto</b> J. Shapiro, President
Aluminum prime windows and patio doors	100	<b>ALUMIPRIME Division, Toronto</b> H. Lazar, President
Aluminum patio, mirror and tub doors, and trailer and mobile home components	100	<b>BRAMPTON ALUMINUM PRODUCTS LIMITED, Brampton</b> J. Halko, President
Vinyl extrusions and simulated wood mouldings	60	<b>CELWOOD PLASTICS LTD., Toronto</b> J. J. Giuffre, President
Aluminum commercial entrances, store front systems and automatic door operators	100	<b>COMMERCIAL ALUMINUM Division, Toronto</b> B. R. Leaman, President
Cold rollformed steel and aluminum	90	<b>CUSTOM ROLLFORMING COMPANY LIMITED, Toronto</b> G. Berdan, President
Zinc die cast products	100	<b>CUSTOM ZINC DIE CASTING LIMITED, Toronto</b> D. Brown, President
Aluminum railings, flagpoles, light standards, highway trusses, towers, helicopter hangars and custom engineered aluminum products	80	<b>DOMINION ALUMINUM FABRICATING LIMITED, Mississauga, Ontario</b> M. R. Maynard, President C. F. Wood, Vice-President, Operations
Aluminum windows and patio doors	100	<b>DOMINION BRONZE LIMITED, Winnipeg, Calgary and Edmonton</b> J. D. Riley, President
Cold rollformed steel and aluminum industrial and agricultural roofing and siding	100	<b>EASTLAND METALS LTD., Mississauga, Ontario</b> C. H. Wilson, President
Automobile parts and steel containers	80	<b>FABRICATED STEEL PRODUCTS (WINDSOR) LIMITED, Windsor</b> T. H. Eansor, President J. N. Eansor, Vice-President
Automobile bumper recycling and replateing, and radiators	100	<b>FAIRMONT PLATING (ALTA) LTD., Edmonton, Calgary, Regina and Saskatoon</b> C. M. B. Mason, President
Automobile bumper recycling and replateing, and radiators	100	<b>FAIRMONT PLATING (MAN) LTD., Winnipeg</b> E. S. Kynnersley, General Manager
Aluminum grilles, awnings and hardware for doors and windows and other architectural products	100	<b>FASHION GRILLES Division, Toronto</b> D. Brown, President
Aluminum prime windows and patio doors	100	<b>HIALCO MFG. Division, Port Coquitlam and Kelowna, B.C.</b> K. A. Eggen, President T. L. Ross, General Manager
Aluminum windows and doors	100	<b>INDAL PRODUCTS LIMITED, Rebmec Division, Toronto and Moncton, N.B.</b> I. R. Moore, President J. C. Middlebro', General Manager
Aluminum extrusions, surface finishings and fabrication of architectural products	100	<b>INDALEX LIMITED, Toronto, Montreal, Calgary, Port Coquitlam, B.C.</b> J. D. Macklem, President W. J. MacDonald, General Manager – Toronto R. E. Smith, General Manager – Montreal W. R. Hunter, General Manager – Calgary M. McNiven, General Manager – Port Coquitlam
Ladders	100	<b>LITE METALS Division, Mississauga, Ontario</b> R. A. Englhardt, Manager
Fibreglass boats and aluminum boats and canoes	100	<b>MARINE Division, Toronto</b> J. C. Middlebro', General Manager
Wood and vinyl windows	75	<b>McKNIGHT WINDOW INDUSTRIES LIMITED, Toronto</b> J. N. McKnight, President
Zinc die cast products	70	<b>NORTH AMERICAN DIE CASTING CORP., Fredericksburg, Va.</b> S. H. Ruderfer, President P. Crain, Vice-President
Demountable walls and office landscape partitions	100	<b>RAM PARTITIONS LIMITED, Toronto</b> J. E. Faveri, President

Metal trading	75	<b>RIO INDAL, INC.,</b> Cleveland, Ohio and Stamford, Conn. N. L. Butkin, President E. J. Henderson, Vice-President
Glass tempering	85	<b>TEMPGLASS LIMITED,</b> Toronto I. R. Moore, President W. C. Metcalfe, General Manager
Residential steel doors	56½	<b>THERMA-TRU LIMITED,</b> Toronto J. N. McKnight, President S. G. Abray, General Manager
Aluminum prime windows, wood windows, doors, trailer and mobile home components	100	<b>WESTERN ALUMINUM PRODUCTS</b> Division, Calgary, Edmonton, Saskatoon, Prince George, Kamloops, Kelowna, Grande Prairie, Thunder Bay C. M. Kline, President
Cold rollformed steel and aluminum industrial and agricultural roofing and siding and rainwater goods	100	<b>WESTLAND METALS LTD.,</b> Richmond, B.C., Calgary, Edmonton R. B. Leeson, President E. W. Abercrombie, General Manager N. G. Gilliam, Alberta Manager

## Location of plants, warehouses and sales offices

■ Plants  
● Warehouses and/or sales offices



# Directors and officers

## Directors

DERMOT G. COUGHLAN  
President, Indal Canada Limited, Toronto  
THOMAS H. EANSOR  
President, Fabricated Steel Products (Windsor) Limited, Windsor  
DEREK EDWARDS  
Chairman and Chief Executive Officer, Pillar Aluminium Limited, London, England  
ROBERT B. LEESON  
President, Westland Metals Ltd., Vancouver  
J. ROSS LeMESURIER  
Vice-President, Wood Gundy Limited, Toronto  
DONALD J. McDONALD  
Executive Vice-President, The Investors Group, Winnipeg  
GEORGE H. MONTAGUE  
Vice-President, MerBan Capital Corporation Limited, Toronto  
JAMES A. PATERSON  
Chief Executive and Deputy Chairman, R.T.Z. Europe Limited, London, England  
HARRY M. RICH  
Chairman, Fashion Grilles, Toronto  
J. DEREK RILEY  
President, Dominion Bronze Limited, Winnipeg  
PETER G. SELLEY  
Vice-President, Finance and Treasurer, Indal Canada Limited, Toronto  
WALTER E. STRACEY  
Chairman and Chief Executive Officer, Indal Canada Limited, Toronto  
WILLIAM R. TUER, Q.C.  
Partner, Borden & Elliot, Toronto

## Officers

WALTER E. STRACEY  
Chairman and Chief Executive Officer  
DERMOT G. COUGHLAN  
President  
PETER G. SELLEY  
Vice-President, Finance and Treasurer  
W. LYLE MUIR  
Secretary and Assistant Treasurer  
JON N. LEHEUP  
Corporate Development Officer  
B. P. MORINE  
Controller

## Head office

52 Arrow Road, Weston, Ontario, M9M 2L8

## Auditors

COOPERS & LYBRAND  
Chartered Accountants

## Transfer agents and registrars

PREFERRED SHARES  
Canada Permanent Trust Company, Toronto

COMMON SHARES  
The Royal Trust Company, Toronto, Montreal, Winnipeg, Calgary,  
Regina and Vancouver



